

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

February 24, 2017

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

Ref: GL 5174

OAHU

Amend General Lease of Easement No. S-5174 by Allowing Other Subsidiary under the Same Parent Entity of the Grantee to Use the Subject Easement; Hilton Hawaiian Village LLC, Grantee, Waikiki, Honolulu, Oahu, Tax Map Key: (1) 2-3-037:021 and (1) 2-6-008:029.

APPLICANT:

Hilton Hawaiian Village LLC, a domestic limited liability company.

LEGAL REFERENCE:

Section 171-13, Hawaii Revised Statutes, as amended.

LOCATION and AREA:

Portion of Government lands about 15,677 square feet, more or less, situated at Duke Kahanamoku Beach, Waikiki, Honolulu, Oahu, identified by Tax Map Key: (1) 2-3-037:021 and (1) 2-6-008:029, as shown on the maps attached as **Exhibit A1 to A2**.

TRUST LAND STATUS:

Section 5(a) lands of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CHARACTER OF USE:

Right, privilege, and authority to construct, reconstruct, use, maintain and repair the umbrella pads, beach sidewalks, utilities, footshowers, and storm drainage lines on, over, and across State land at Kalia, Waikiki.

TERM OF LEASE:

55 years, commencing on October 10, 1986 and expiring on October 9, 2041.

ANNUAL RENT:

\$4,080.00, subject to rental reopening every 10 year of the easement during the term. Last reopening happened on October 10, 2016 pending acceptance of the rent from the lessee.

DCCA VERIFICATION:

Place of business registration confirmed:	YES	<u>X</u>	NO
Registered business name confirmed:	YES	<u>X</u>	NO
Good standing confirmed:	YES	<u>X</u>	NO

REMARKS:

The subject easement was issued by direct negotiation to Hilton Hawaiian Village Joint Venture commenced in 1986 for a term of 55 years over the area shown on Exhibit A2. In 1991, the easement was amended to include an additional 180-square foot area and other housekeeping provisions. In 1998, the lessee changed its name to Hilton Hawaiian Village LLC.

As part of the corporate reorganization of Hilton Worldwide Holdings, Inc. (Hilton), the parent entity of the Assignor, substantially all of Hilton's real estate assets, including Hilton Hawaiian Village, will be transferred to one of its subsidiaries, Park Hotels & Resorts Inc. (PHR), which was formerly known as Hilton Worldwide, Inc. Shares in PHR will be distributed to Hilton's public shareholders, making PHR a separate public company. The Grantee, Hilton Hawaiian Village LLC (HHV), is currently a subsidiary of PHR and will remain subsidiary of PHR following the reorganization. PHR will elect to qualify as a Real Estate Investment Trust under the U.S. tax laws and will cause HHV to lease the hotel to another subsidiary of PHR, Hilton Hawaiian Village Lessee LLC (HHV Lessee) which will enter into a management agreement with Hilton Management LLC (a subsidiary of Hilton and the current manager of the hotel) for the continued daily operation of the hotel. There will be no change in the operation or the daily management of the hotel or the use and compliance of the subject easement.

In view of the forthcoming lease between HHV (as prospective lessor) and HHV Lessee (as prospective lessee), an assignment of the subject easement between the two parties and the Board's consent thereto could suffice to cover the proposed lease arrangement. However, Hilton could undergo another reorganization in the future which might result in creating of other subsidiaries and transfer of corporation's assets among the subsidiaries.

Staff recommends the Board authorize an amendment to the subject easement by allowing the use of the same easement by another subsidiary of the same parent entity of

HHV, while the terms and conditions shall remain in full force and effect. If an assignment of the easement is contemplated between HHV and a non-subsidiary entity, the Board's consent to such assignment as articulated in the easement shall be applicable.

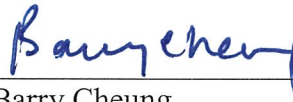
The proposed amendment will ensure that the easement is utilized and maintained by the same entity that controls the hotel. Counsel representing the Hilton group indicates that HHV is not expecting to be released from its obligation under the easement.

Staff did not solicit comments from other agencies as the request pertains to housekeeping purposes only with no change in use or extent of the State land involved.

RECOMMENDATION: That the Board authorize the amendment of General Lease of Easement No. S-5174, under the terms and conditions described above, further subject to the following:

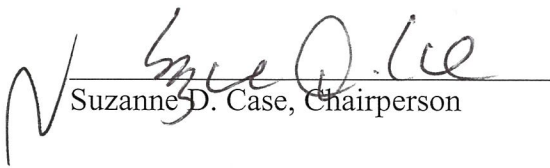
1. Review and approval by the Department of the Attorney General; and
2. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,



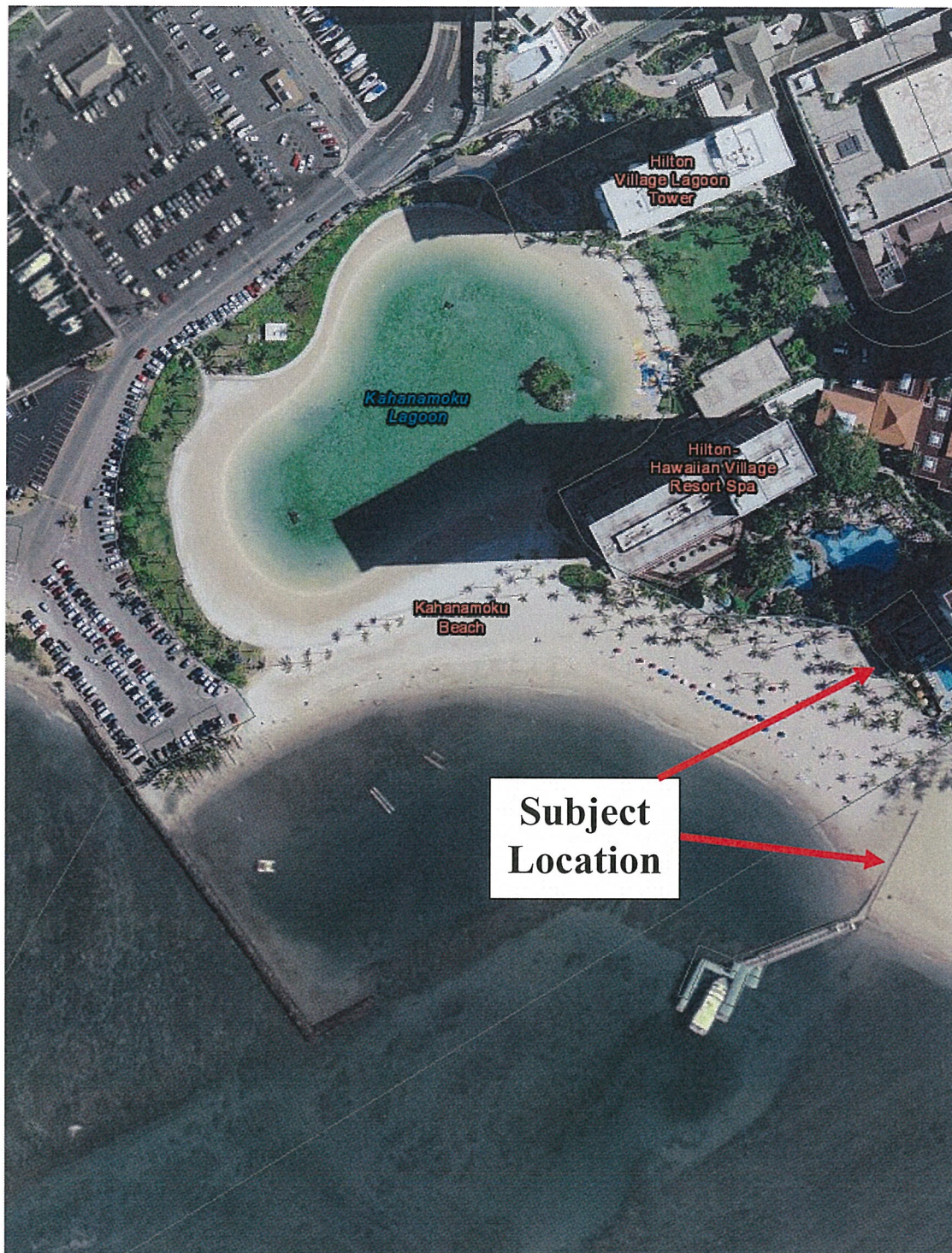
Barry Cheung  
District Land Agent

APPROVED FOR SUBMITTAL:



Suzanne D. Case, Chairperson

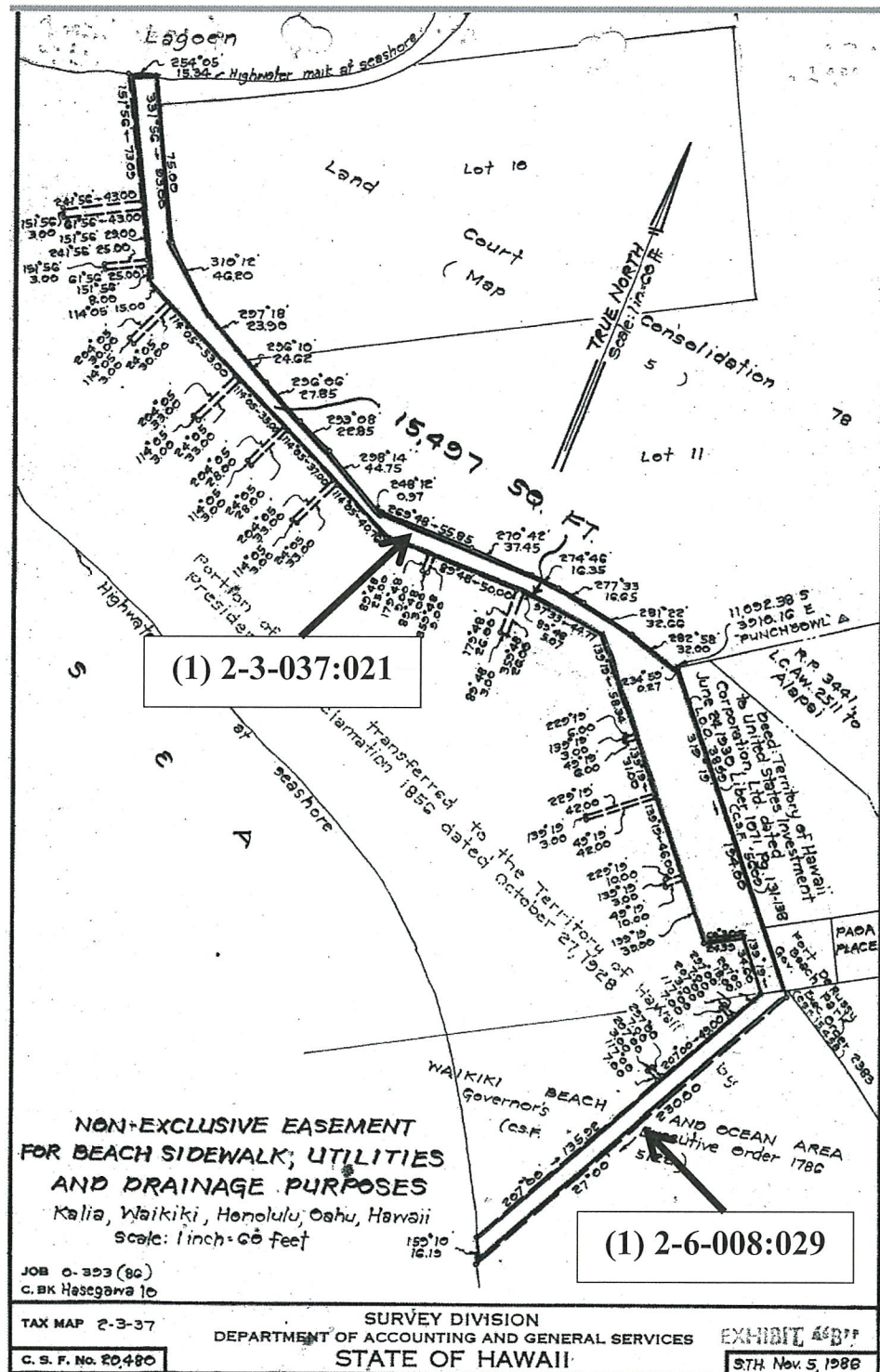




**TMK (1) 2-3-037:021 and 2-6-008:029**

**EXHIBIT A1**





**TMK (1) 2-3-037:021 and 2-6-008:029**

**EXHIBIT A2**